

THE GENERAL FUND

General Fund resources for the coming biennium, after excluding federal funds and agency receipts, are estimated at \$747,000,000. This sum consists of an estimated \$53,000,000 in beginning credit balance, recommended capital improvement bond issue proceeds of \$54,000,000, and current revenues of \$640,000,000.

Recommended General Fund appropriations total \$747,000,000, of which \$689,000,000 is for current operations and \$58,000,000 is for capital improvements. The estimated credit balance on June 30, 1963, will be only \$15,000.

I take note of the fact that this Budget proposes that the State spend on current General Fund operations during the 1961-63 biennium \$49,000,000 more than the State is expected to receive in General Fund revenue during that period. The Budget is kept in balance by spending all of the \$53,000,000 credit balance accumulated during the 1959-61 biennium.

If the expectations of the makers of this Budget hold true, there will be no comparable credit balance with which to begin the 1963-65 biennium. This means that we will leave difficult problems for the 1963 General Assembly in maintaining the level of services under the "A" Budget.

REVENUE

General Fund revenue for the current biennium is estimated at \$620,000,000. For the next biennium, General Fund revenue is estimated at \$640,000,000, an apparent increase of only \$20,000,000 or three per cent. Budgets, however, must be built upon revenue which is expected to come in year after year. As you know, revenue for the current biennium includes \$28,000,000 in "windfall" receipts resulting from the adoption of the income tax withholding system two years ago. This \$28,000,000 can be spent but once and will not come again. Deducting those "windfall" receipts gives 1959-61 General Fund revenue collections of a recurring type in the sum of \$592,000,000. By comparison with that figure, the \$640,000,000 in revenue projected for the 1961-63 represents an increase of \$48,000,000 or eight per cent.

In view of the exceptionally good General Fund revenue collections of this biennium in comparison with 1957-59, there may be a strong temptation in some quarters to argue that an eight per cent General Fund revenue increase is too conservative, and that additional appropriations can be provided for by the painless expedient of raising the revenue estimates. The Advisory Budget Commission does not, and I do not, and dare not, share that hope. On the basis of all the evidence now available, including general economic conditions and trends and the relatively conservative revenue growth estimates now being made by the federal government and by our sister states—averaging less than four per cent—I see no present justification for raising the Advisory Budget Commission's eight per cent revenue increase estimate. To take any other position would be dangerous and would border upon fiscal irresponsibility. Should new infor-